

Message Text

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ACTION PM-04

INFO OCT-01 ARA-06 ISO-00 NSC-05 SP-02 SS-15 CIAE-00

INR-07 NSAE-00 L-03 AID-05 IGA-02 OMB-01 MC-02 ACDA-05

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FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 700

SECDEF WASHDC

INFO USCINCSO

C O N F I D E N T I A L MONTEVIDEO 0646

E.O. 11652: GDS

TAGS: MASS, UY

SUBJ: FY 1977 MILITARY SECURITY ASSISTANCE

REF: STATE 036160 (DTG 131859Z FEB 76)

FOLLOWING ARE RESPONSES TO QUESTIONS RAISED IN PARA 5,
REFTEL.

A. WE BELIEVE GOU WILL CCEPT \$2.5M FY 77 CREDIT IF
OFFERED.

B. MAJOR ITEMS TO BE PROCURED IN PRIORITY ORDER
(\$ IN MILLIONS)

(1) ACFT SPARES	\$.4
(2) WEAPONS SPARES	.1
(3) AUTOMOTIVE SPARES	.2
(4) COMMUNICATIONS EQUIP AND SPARES	.4
(5) SHIP SUPPORT AND SPARES	.3
(6) NON-TACTICAL VEHICLES	.5
(7) SMALL ARMS (-16 RIFLES, M60 MG)	.4
(8) EXCESS DEFENSE ARTICLES	.1
(9) MEDICAL SUPPLIES	.1

\$2.5

C. PROVISION OF CREDIT SUPPORTS MILITARY REQUIREMENTS
DERIVED FROM U.S. APPROVED FORCE GOALS. FMS CREDIT WILL
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PROVIDE CONTINUED MATERIEL SUPPORT FOR EXISTING EQUIPMENT

AND SOME MODERNIZATION OF OUTDATED VEHICLLAR AND COMMUN-
ICATIONS EQUIPMENT, AND SMALL ARMS.

D. WITH THE FY77 TERMINATION OF MATERIEL GRANT AID, FMS
CREDIT IS ESSENTIAL TO MAINTAIN THE VIABILITY OF THE
URUGUAYAN ARMED FORCES.

E. CREDIT PROGRAM MUST NOW NECESSARILY REPLACE THE PRO-
JECTED MAP/M TERMINATION. MAP/T WILL CONTINUE TO PROVIDE
SKILLS NECESSARY TO MAINTAIN MAP/M AND FMS CREDIT PURCHASES.

F. THESE CREDITS ARE DESIGNED TO SUPPORT U.S. OBJECTIVES
IN URUGUAY. THEY WILL BE USED TO ENABLE THE URUGUAYAN ARMED
FORCES TO MAINTAIN INTERNAL SECURITY AND TO CARRY OUT A MODEST
MODERNIZATION PROGRAM. IN ADDITION, THE WILL SERVE OUR
POLITICAL OBJECTIVES. THE INFLUENCE OF THE ARMED FORCES
PERMEATS POLICYMAKING AND PROGRAM IMPLEMENTATION VIRTUALLY
THROUGHOUT THE GOVERNMENT. WE HOPE THA POSSIBILITY
AUGMENTED CREDITS MENTIONED IN STATE 040657 WILL LIMITED ADVERSE
IMPACT TERMINATION OF MAPM COULD HAVE ON OUR DAY TO DAY
RELATIONS WITH MANY ELEMENTS OF GOVERNMENT, PARTICULARLY
THE ARMED FORCES. OUR POLICY OBJECTIVES WILL BE SPELLED
OUT IN OUR RESPONSE TO PARA 6 REFTEL.

G. THE PROPOSED CREDIT SALES WOULD NEITHER AFFECT THE
REGIONAL ARMS BALANCE NOR CONTRIBUTE TO AN ARMS RACE.

H.CNSIDERING GOU FORCE LEVELS, AND THE CUTOFF OF
MAP-MP ASSISTANCE, URUGUAY NEEDS FMS CREDITS TO BUY BACIS
FOLLOW-ON SPARES AND CONTINUE EVEN A MODEST PROGRAM OF
MODERNIZATION. WE CONSIDER FOS MORE IMPORTANT THAN INVESTMENT
ITEMS JUST TO MAINTAIN PRESENT CAPABILITIES. WITH BALANCE
OF PAYMENTS DEFICITS FORESEEN FOR THE NEXT SEVERAL YEARS
AND THE GOU'S ACUTE FISCAL DEFICIT, URUGUAYMUST RELY ON
DIRECT OR INDIRECT CREDITS TO FINANCE NECESSARY MILITARY
PURCHASES FROM ABROAD. DIRECT FMS CREDITS CUSHION THE
IMPACT ON THE GOU FISCAL POSITION AND ARE MORE FAVORABLE
THAN COMMERCIAL FINANCING.

I. FMS CREDIT SALES AT THE PROPOSED LEVEL WILL NOT
IMPOSE AND UNDUE DEBT BURDEN ON URUGAY. THE PLANNED
LEVEL IS T, OR BELOW, THAT OF RECENT YEARS AND AS NOTED
ABOVE FMS CREDIT TERMS ARE MORE ADVANTAGEOUS THAN
COMMRCIAL. GOU FOREIGN DEBT IS NOT EXCESSIVE, ALTHOUGH
SHORT-TERM DEBT PROFILE IS HEAVY. FMS CREDIT ON MEDIUM
AND LONGER TERMS WILL IMPROVE THIS PROFILE. MOREOVER,
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WE BELIEVE THAT IN THE ABSENC OF FMS CREDIT, SIMILAR
PURCHASES WOULD BE MADE ON LESS FAVORABLE CREDIT TERMS
AND THUS IMPOSE A HEAVIER BURDEN ON RESOURCES.

J. GOU MAKES SMALL YEARLY CASH PURCHASES FROM THE U.S.,
PRIMARILY FOR AMMUNITON AND OTHER EXPENDABLES. URUGUAY
MAKES NO SIGNIFICANT PURCHASES FROM THIRD COUNTRIES
WHICH WOULD AFFECT EXTENSION OF FMS CREDIT.

2. EMBASSY NOTES STATE 040657 DID NOT INCLUDE USINCSO

AS INFO ADDRSSEE. SUGGEST IT BE REPEATED TO THAT HQS.
SIRACUSA

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